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ZNR UUUUU ZZH
O 302110Z APR 09
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3621
INFO RUCNMER/MERCOSUR COLLECTIVE
RUEHMD/AMEMBASSY MADRID 2248
RUEHRO/AMEMBASSY ROME 1511

UNCLAS BUENOS AIRES 000499

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [PREL](#) [EAID](#) [ECON](#) [SOCI](#) [PHUM](#) [AR](#)
SUBJECT: Argentina: International Donor Community
Braces for Tough Times Ahead

¶1. (SBU) Summary. The Ambassador hosted a roundtable coffee with the international donor community to discuss the impact of the global economic crisis on international assistance to Argentina. The roundtable was co-organized with the Argentine Network for International Cooperation (RACI) and the Avina Foundation. After the Ambassador's welcoming remarks, RACI gave a presentation on areas that receive the most development assistance in Argentina, noting that the international donor community tended to fund programs focused on the environment, economic development, education, good governance, and human rights, while local philanthropic organizations focused overwhelmingly on education, followed by culture and healthcare. RACI's remarks were followed by Avina's presentation on the lessons learned from Argentina's 2001-02 crisis. In the presentations and subsequent discussion with IDB and World Bank representatives, it was clear that the social support network in Argentina would be overwhelmed if the economic crisis hit Argentina hard. In closing, the Ambassador reiterated the USG's commitment to supporting Argentine society despite the current economic crisis and invited participants to attend the Embassy's second annual NGO Fair on April 30. End Summary.

Participants

¶2. (SBU) On March 30, Ambassador Wayne hosted a roundtable coffee with the international donor community to discuss the impact of the global economic crisis on international assistance to Argentina. It was the international donor community's third meeting in a series of quarterly roundtable breakfasts/coffees organized by the Argentine Network for International Cooperation (RACI) and the Avina Foundation. Participants included the Ambassadors of Canada, the EU, Italy, New Zealand, the Netherlands, and Switzerland; representatives of the Embassies of Australia, Norway, Sweden, and the UK; as well as representatives from the World Bank (WB), the Inter-American Development Bank (IDB), the UN Development Program, the Japan International Cooperation Agency, and the Carolina Foundation.

RACI: International Aid Focuses on Environment,
Economic Development, Education, Good Governance and
Human Rights

¶3. (SBU) After the Ambassador's welcoming remarks, RACI Executive Director Guillermo Correa gave a presentation on RACI's analysis of the development

assistance priorities of the international community versus local philanthropic organizations. Since RACI was unable to ascertain exact funding amounts, it determined international donor priorities based on the number of donors supporting a given cause as opposed to total funding each cause receives. Of the 32 foreign donors sampled, RACI noted that over 50% funded programs aimed at environmental protection, economic development, and good governance. Over 53% of foreign donors provided scholarships and fellowships, and 41% funded local education programs. Over 40% of foreign donors funded human rights organizations. Roughly a third of foreign donors fund programs that promote social inclusion, poverty reduction, and gender equality; and a quarter of them fund organizations focused on public health, citizen participation, cultural activities, youth, and research. Third-tier priorities include indigenous communities, science and technology, children, nutrition, disabled, migration, and small business development.

RACI: Local Donors Overwhelmingly Focus on Education -----

¶4. (SBU) Of the 22 local philanthropies sampled, RACI discovered that the overwhelming majority (77%) supported local education programs. Roughly 20% supported cultural and public health programs. Only 1-2 organizations supported programs related to children, the environment, research, job search assistance, professional development, local development, rural development, journalism

development, youth labor training, transportation security, the elderly, agricultural development. Although the study showed that international donor and local priorities differed significantly, Correa stressed that this did not mean the international donor community should shift its priorities to match local priorities more closely. He argued that many local philanthropic organizations (LPO) shy away from funding programs that promote good governance and human rights, due to the perception that there may be political or economic repercussions for funding programs that may be critical of the GOA. Acknowledging that times are tough around the world, Correa urged greater cooperation between international and local donors to optimize limited development assistance.

Lessons Learned from Argentina's 2001-02 Crisis -----

¶5. (SBU) Carlos March, Country Representative for the Swiss-based Avina Foundation, spoke on lessons learned from Argentina's economic crisis in 2001-02. He observed that Argentina's economic downturn sparked spontaneous and violent street protests against the perceived economic incompetence of the government and corruption among the ruling elite. The popular cry to "Get rid of them all!" ("Que se vayan todos!"), coupled with political and institutional weakness, forced four Presidents to resign in the span of two weeks. According to March, the mobilized masses did not have an agenda, did not have any leaders in government through which they could channel their dissent, and cooperation between civil society groups was inexistent. Despite the political and social chaos that ensued, Argentina's democratic system stayed in tact, he said.

¶6. (SBU) March then went on to compare Argentina's crisis with the current global economic crisis. First, he noted that the 2001-02 crisis was exclusive to Argentina, whereas today's crisis is a global crisis. Prior to the crisis, Argentina was

far more integrated within the international financial system and had broader access to international assistance. Following its 2002 default (at over US\$ 80 billion, the largest sovereign default in world history) and still today, Argentina remains relatively isolated from international capital markets. This makes it more difficult for Argentina to request stabilization packages and budgetary support from the international financial institutions. Argentines know that it is only a matter of time before the global economic crisis significantly impacts the local economy. During the 2001-02 crisis, the GOA ignored civil society. Although more social activists have been included in executive and legislative positions, the GOA has succeeded in dividing civil society, he added.

17. (SBU) March predicted that Argentina will be paralyzed for the first half of 2009 due to elections. After June 2009, there will be great uncertainty and Argentina's weak macrofundamentals will likely exacerbate the local impact of the global crisis. He indicated that Argentina's business sector has a limited capacity to weather the economic storm, and would likely stop outsourcing services; hold off on new investments; and lay off personnel. By 2010, Argentina's economy will stop growing. With less revenue coming in, the GOA will be forced to reduce public spending. Rising unemployment will strain the GOA's social welfare system, resulting in an increased demand for services offered by civil society organizations (CSOs). The crisis, however, will have an adverse impact on CSOs as well, as their budgets shrink and CSOs are forced to down-size their staff. Without adequate budgetary and organizational support, it will be extremely difficult for CSOs to meet the needs of those left out of the GOA social safety net.

Poverty and Income Inequality Continue to Grow

18. (SBU) After the presentations, the Canadian

Ambassador asked why Argentina requires increasing levels of international assistance when it has enjoyed high growth rates since 2003. March explained that despite Argentina's economic growth, income inequality grew during that same timeframe. Demand for CSO services has not diminished since 2001, which suggests the poor application of public policies, he asserted. WB representatives chimed in, saying that the rolls for inclusion in the WB-financed GOA subsidy program for heads of households has been closed by the GOA since 2003, leaving many people who would otherwise qualify without access to this program. (Comment: The GOA has, in fact, created a number of additional social assistance programs to address growing poverty, including one for women with low employment prospects, Plan Familias, and another program that provides temporary subsidies to the non-working poor.) Poverty is growing, they said, but the GOA has not yet developed new social assistance programs nor allocated budget resources to deal with the problem. March added that few programs provide a cushion for the middle and working class. He noted that the quality of healthcare and education is deteriorating. Correa pointed out that while the middle class is steadily growing in Latin American countries such as Brazil, Mexico and Chile; in Argentina it is disappearing.

IDB: People Need a Hand Up, Not a Handout

¶9. (SBU) The IDB representative noted that the IDB finances healthcare, education and social development programs. Although he stressed the need to fill the many gaps in Argentina's social safety net, he noted that it is very difficult for families to go off welfare once they are in the system, thus creating a handout culture. In the IDB's view, greater attention needs to be given to job creation programs, he stated. A WB representative observed that the economic crisis has had a moderate impact on the formal economy and a major impact on the informal economy. Although layoffs have been minimal in the formal economy, businesses are not hiring new personnel. In the informal economy, however, there have been massive layoffs. It is easy to give money, but it is much harder to ensure that it goes to the right hands, he stated.

¶10. (SBU) When Poloff asked whether international or local donors funded job training and labor reinsertion programs, an Italian Embassy representative noted that its Ministry of Labor (MOL) through the International Labor Organization provides technical assistance to Argentina's MOL to develop a network of provincial employment offices that provide job training. The WB representative noted that the Spanish government was also financing a similar initiative.

¶11. (SBU) As the discussion came to a close, the EU Ambassador acknowledged that Argentina's needs are many, but noted that most international donors focus on the poorest countries. Even in the face of the current global economic crisis, it will be difficult to justify increasing assistance to middle-income countries such as Argentina, he said.

Embassy NGO Fair

¶12. (SBU) The Ambassador acknowledged that there are tough times ahead for everyone, but reiterated the USG's commitment to working with international and local partners to promote institutional strengthening, and social and economic progress in Argentina. To that end, he announced that the U.S. Embassy, in collaboration with RACI and the American Chamber of Commerce (AmCham) would organize its second annual NGO Fair April 30 to bring together international donors, foundations, foreign embassies, and U.S. businesses to promote new philanthropic associations. PAS gave a presentation on the fair and encouraged those present to attend and suggest local partners who could participate in the fair.

Comment

¶13. (SBU) The meeting served as an excellent forum to learn more about each donor's development assistance priorities and share lessons learned in working with community-based organizations in Argentina. The discussion also helped identify new opportunities where we can work with international and local donors to optimize limited development assistance in the face of the global economic crisis. Our efforts to use the meeting as a recruitment tool for our April 30 NGO fair proved successful, as many expressed interest in attending and recommended inviting additional NGOs with whom they have worked successfully.

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